

Message Text

SECRET

PAGE 01 MANILA 13088 01 OF 02 310908Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----022177 310910Z /10

P 310844Z JUL 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 9356
INFO SECDEF WASHDC
CINCPAC HONOLULU HI
AMEMBASSY JIDDA
AMEMBASSY TEHRAN

S E C R E T SECTION 01 OF 02 MANILA 13088

EXDIS

EO 11652: GDS
TAGS: MARR, RP
SUBJECT: MELCHOR DISCUSSES INDUSTRIALIZATION OF
- PHILIPPINE BASES

REF: STATE 187767

1. SUMMARY: ALEX MELCHOR, GOP AMBASSADOR-AT-LARGE, ACCOMPANIED BY JOSE DE VENECIA, PHILIPPINE BUSINESSMAN WITH INTERESTS IN PETROLEUM AND ACTIVE WITH MELCHOR IN VARIOUS SAUDI ARABIAN MANAGEMENT CONTRACTS, CALLED ON ME JULY 28 PRIOR TO THEIR DEPARTURE FOR WASHINGTON. PURPOSE WAS TO REVIEW MELCHOR'S PLAN FOR "GOVERNMENT OWNED-COMPANY OPERATED" (GOCO) FACILITIES AT U.S. PHILIPPINE MILITARY BASES. DE VENECIA INTRODUCED ADDITIONAL IDEA OF OUR PERSUADING SAUDI ARABIA AND IRAN TO AWARD CONSTRUCTION CONTRACTS TO PHILIPPINE FIRMS, THEREBY INDIRECTLY PROVIDING SOME ADDITIONAL COMPENSATION FOR THE PHILIPPINE BASES WHICH USG MAY BE UNABLE MAKE AVAILABLE. MELCHOR ADVISED THAT THEY WILL BE IN WASHINGTON AUGUST 1, TO DISCUSS FOREGOING IDEAS WITH CLARK CLIFFORD AT

SECRET

SECRET

PAGE 02 MANILA 13088 01 OF 02 310908Z

CLIFFORD'S REQUEST. DEPARTMENT MAY WISH DISCUSS THEIR VISIT WITH CLIFFORD. END SUMMARY.

2. IN PREFACE TO DISCUSSION, MELCHOR INFORMED ME GEORGETOWN UNIVERSITY'S CENTER FOR STRATEGIC INTERNATIONAL STUDIES (CSIS) HAS STARTED A STUDY OF THE U.S. BASES IN THE PHILIPPINES. STUDY IS BEING CONDUCTED BY COTTRELL

(SPELLING?) AND A MS. CARLSON WITH MIKE SAMUELS AS THE PROJECT DIRECTOR. COTTRELL, WHO PREVIOUSLY COLLABORATED WITH ADMIRAL MOORER ON A STUDY OF U.S. BASES ABROAD, IS SCHEDULED VISIT PHILIPPINES IN THE LATTER PART OF AUGUST AND EXPECTS COMPLETE HIS STUDY BY DECEMBER. (MELCHOR DODGED MY QUESTION REGARDING WHO HAD COMMISSIONED THE GEORGETOWN STUDY AT THIS TIME AND SIMPLY NOTED THE WORK WAS PART OF THE CSIS'S "THIRD WORLD STUDIES PROGRAM.")

3. COMMENTING ON WHAT HE SEES AS THE MAJOR SUBJECTS FOR USG-GOP BASE NEGOTIATIONS -- SOVEREIGNTY, COMPENSATION, AND CRIMINAL JURISDICTION -- MELCHOR ASSERTED THESE ISSUES COULD BEST BE SOLVED BY TURNING OPERATION OF THE FACILITIES OVER TO A PRIVATE ENTERPRISE AND STRUCTURING THE EXISTING BASES AS "INTERNATIONAL INDUSTRIAL ZONES." TO COMPLY WITH THE REQUIREMENT FOR PHILIPPINE SOVEREIGNTY, THE ZONES WOULD BE 60 PHILIPPINE OWNED WITH AMERICAN MANAGEMENT TO PROVIDE U.S. CONTROLS. THE TITLE FOR U.S. FACILITIES WITHIN THE PRESENT BASES WOULD RESIDE WITH THE U.S. DEPARTMENT OF DEFENSE WHICH, IN TURN, WOULD LEASE THE LAND TO AN AMERICAN FIRM TO OPERATE FACILITIES FOR EXCLUSIVE USE OF THE U.S. MILITARY. THE COMPANY WOULD PAY RENT, THEREBY PROVIDING THE MECHANISM FOR SOME COMPENSATION FOR USE OF THE FACILITIES. ZONE AUTHORITIES WOULD PROMULGATE REGULATIONS ON CONDUCT, THUS EFFECTIVELY DEALING WITH QUESTION OF CRIMINAL JURISDICTION. SINCE
SECRET

SECRET

PAGE 03 MANILA 13088 01 OF 02 310908Z

ZONE WOULD BE A DUTY-FREE AREA, CUSTOMS AND IMMIGRATION PROBLEMS WOULD BE MINIMAL.

4. MELCHOR NOTED THE BASE ISSUE HAD HIGHLY EMOTIONAL OVERTONES FOR BOTH MANILA AND WASHINGTON AND OPINED THAT THOSE WHO DESIRE TO MAINTAIN THE BASES UNDER THE CURRENT TERMS AS WELL AS THOSE WHO DESIRE TO SEE THE U.S. PULL OUT ARE BOTH IN ERROR. THE CONTINUED PRESENCE OF THE U.S. BASES IN THE PHILIPPINES IS IMPORTANT, HE ADDED, BUT SINCE CURRENT TREATY WAS NEGOTIATED 30 YEARS AGO IT MUST BE ADJUSTED TO SUIT THE PRESENT TEMPER OF THE TIMES. MELCHOR STATED HE HAS, WITH FEW EXCEPTIONS (HE MENTIONED ONLY ASST. SEC. HOLBROOKE) FOUND NO ONE OUTSIDE OF U.S. NAVY OPPOSES HIS IDEA IN THEORY. I CHALLENGED THIS NOTING THAT MANY IN THE USG AND, PICKING UP HIS POINT, NOT RPT NOT JUST IN U.S. NAVY, WERE EXTREMELY UNEASY ABOUT THE IMPLICATIONS OF THE "MELCHOR PLAN."

5. DE VENECIA THEN OUTLINED HIS PLAN TO PERSUADE SAUDI ARABIA AND IRAN, AND POSSIBLY OTHER MIDDLE EASTERN STATES AS WELL, TO PARTICIPATE IN COMPENSATING THE PHILIPPINES FOR USG USE OF THE BASES. ARGUED THAT SAUDIS AND IRANIANS

WILL SEE IT IN INTEREST OF THEIR OWN DEFENSE PROGRAMS TO
PAY THE DIFFERENCE BETWEEN WHAT THE USG MAY BE WILLING TO
PAY FOR CONTINUED USE OF THE BASES AND THE MINIMUM SUM GOP
WILL DEEM ACCEPTABLE. RECENT INCREASE IN SOVIET INFLUENCE

SECRET

NNN

SECRET

PAGE 01 MANILA 13088 02 OF 02 310910Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----022186 310913Z /13

P 310844Z JUL 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 9357
INFO SECDEF WASHDC
CINCPAC HONOLULU HI
AMEMBASSY JIDDA
AMEMBASSY TEHRAN

S E C R E T SECTION 02 OF 02 MANILA 13088

EXDIS

IN ETHIOPIA AND YEMEN COULD THREATEN MILITARY TRAFFIC
THROUGH RED SEA. IN THE EVENT SAUDIS AND IRANIANS NEED
MILITARY RESUPPLY, THEY WILL APPRECIATE THEY SHOULD HAVE
OTHER ALTERNATIVE SUPPLY POINTS AND U.S. BASES IN THE
PHILIPPINES WOULD PROVIDE ONE. A NEW BASE AGREEMENT, HE
ADDED, WOULD SPECIFY THAT THE USG WOULD BE ALLOWED TO USE
CLARK AND SUBIC TO HELP SUPPLY THE SAUDIS AND IRANIANS,
UPON THEIR REQUEST TO THE GOP.

6. SAUDI AND IRANIAN CONTRIBUTIONS WOULD BE IN THE FORM
OF CONSTRUCTION CONTRACTS AWARDED TO PHILIPPINES FIRMS.
DE VENECIA EXPLAINED THAT OF THE APPROXIMATELY \$30 BILLION
SAUDI ARABIA AND IRAN SPEND YEARLY ON INFRASTRUCTURE
PROJECTS, 5-7, I.E. APPROXIMATELY DOLLARS TWO BILLION,
MIGHT BE AWARDED TO PHILIPPINE FIRMS. CONCEIVABLY, HE
ARGUED, U.S. FIRMS MIGHT ALSO PARTICIPATE WITH THE
PHILIPPINE FIRMS IN JOINT VENTURES. HE ASSERTED THAT
PHILIPPINE FIRMS HAVE THE ATTRIBUTES THE SAUDIS AND
IRANIANS WANT: FILIPINOS ARE ENGLISH SPEAKING, WILL NOT
OVERSTAY THE REQUIRED PERIOD FOR CONSTRUCTION, ARE ANTI-
COMMUNIST, DISINTERESTED IN ARAB WORLD POLITICS, AND
SECRET

SECRET

PAGE 02 MANILA 13088 02 OF 02 310910Z

FAMILIAR WITH U.S. CONSTRUCTION EQUIPMENT AND TECHNIQUES. THEY MIGHT ALSO OFFER "SERVICE INDUSTRIES CAPABILITIES," VIZ. THE OPERATIONS OF NAVAL AND AIR BASES, PORTS, POLICE STATIONS AND SOCIAL SERVICES.

7. DE VENECIA CLAIMED HE HAS RAISED HIS IDEA WITH PRESIDENT MARCOS, AND THOUGH MARCOS "HAS NOT GIVEN THE GREEN LIGHT, HE HAS NOT SAID NO EITHER." MELCHOR AND DE VENECIA NOTED THAT MARCOS COULD BE PERSUADED TO APPROVE THE PLAN ON THE BASIS THAT IT WOULD BE BENEFICIAL TO THE PHILIPPINE CONSTRUCTION INDUSTRY AND ALSO, SINCE 70 OF THE SALARIES OF PHILIPPINE CONSTRUCTION WORKERS OVERSEAS MUST BE REPATRIATED, IT WOULD DIRECTLY BENEFIT THE PHILIPPINE BALANCE OF PAYMENTS POSITION. AMBASSADOR RESTRICTED HIS COMMENT TO OBSERVATION THAT FOR SAUDIS TO PART WITH THEIR MONEY, THEY MUST SEE VERY CLEAR BENEFIT TO THEIR KINGDOM.

8. COMMENT: THIS CONVERSATION IS FURTHER EVIDENCE THAT THE MELCHOR PLAN REMAINS ALIVE, ALTHOUGH THE DEGREE OF BACKING MARCOS IS GIVING IT IS STILL UNCLEAR. IT SEEMS THAT MELCHOR IS SEEKING GIVE PLAN LEGITIMACY THROUGH THE CSIS STUDY AND THROUGH INVOLVING CLARK CLIFFORD. BECAUSE OF THE DIFFUSENESS OF THE MELCHOR/DE VENECIA PRESENTATION, IT IS DIFFICULT TO DETERMINE EXACTLY WHAT ASPECT OF THE PLAN HAS (ALLEGEDLY) ATTRACTED CLIFFORD'S INTEREST. DEPARTMENT MAY WISH DISCUSS WHOLE ISSUE WITH CLIFFORD. MURPHY

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY BASES
Control Number: n/a
Copy: SINGLE
Draft Date: 31 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MANILA13088
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780312-1077
Format: TEL
From: MANILA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978074/aaaaacux.tel
Line Count: 202
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ef5c3570-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 78 STATE 187767
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1944313
Secure: OPEN
Status: NATIVE
Subject: MELCHOR DISCUSSES INDUSTRIALIZATION OF - PHILIPPINE BASES
TAGS: MARR, EIND, RP, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ef5c3570-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014